

**LYON COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**June 30, 2010**

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## LYON COUNTY

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires/Expired</u>
Randy Bosch	Board of Supervisors	December 31, 2010
Craig Block	Board of Supervisors	December 31, 2010
Steve Michael	Board of Supervisors	December 31, 2010
Mike Modder	Board of Supervisors	December 31, 2012
Merle Koedam	Board of Supervisors	December 31, 2012
Wayne Grooters	County Auditor	December 31, 2012
Richard Heidloff	County Treasurer	December 31, 2010
Eldon Kruse	County Recorder	December 31, 2010
Blythe Bloemendaal	County Sheriff	December 31, 2012
Carl Petersen	County Attorney	December 31, 2010
Fred Christians	County Assessor	December 31, 2015
Lisa Rockhill	County Central Point Coordinator	Indefinite
Craig Van Otterloo	County Conservation Director	Indefinite
Jeff Williams	County Engineer	Indefinite
Kandace Koll	County Health Services Administrator	December 31, 2009
Sheryl Boeve	County Health Services Administrator	Indefinite (Started Jan. 1, 2010)
Glenn Anderson	County Economic Development Director	August 24, 2009
Steve Simons	County Economic Development Director	Indefinite (Started Feb. 1, 2010)

# **DE NOBLE & COMPANY PC**

Certified Public Accountants

## **MEMBERS**

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Rock Rapids, IA 51246

American Institute - Certified Public Accountants  
Private Companies Practice Section  
Iowa Society - Certified Public Accountants

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## **Independent Auditor's Report**

To the Officials of Lyon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Lyon County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2011 on our consideration of Lyon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 17 and 54 through 57 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyon County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five fiscal years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Siebrecht Spitler & De Noble PC (Siebrecht Spitler & De Noble PC was formally dissolved and De Noble & Company PC is one of the two new companies that were formed directly from this dissolution) previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (none of which are presented herein). Siebrecht Spitler & De Noble PC expressed unqualified opinions on the fiscal year ended June 30, 2004 financial statements and expressed a qualified opinion on the fiscal year ended June 30, 2003 financial statements. Siebrecht Spitler & De Noble PC qualified their opinion for the fiscal year ended June 30, 2003 based on the fact they were unable to audit the financial statements supporting the financial activities of the Lyon County Conservation Foundation Fund. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



De Noble & Company PC  
Certified Public Accountants

June 16, 2011

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## **MANAGEMENT'S DISCUSSION & ANALYSIS**

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Lyon County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **FISCAL YEAR 2010 FINANCIAL HIGHLIGHTS**

- The County's governmental fund revenues for fiscal year 2010 were \$11,199,103 compared to \$10,889,011 in fiscal year 2009, an increase of \$ 310,092, or 2.85%. Property and other county tax for fiscal year 2010 were \$4,411,208 compared to \$4,057,468 in fiscal year 2009, an increase of \$353,740, or 8.72%. All other revenues decreased during fiscal year 2010 by \$43,648.
- The County's governmental fund expenditures for fiscal year 2010 were \$10,268,073 compared to \$11,286,813 in fiscal year 2009, a decrease of \$1,018,740 or 9.03%. Expenditure function classifications with increases were public safety and legal services, physical health and social services, administration, nonprogram, and debt service. Mental health, county environment and education, roads & transportation, governmental services to residents and capital projects were expenditures functions that had decreases. The road and transportation and capital projects had large decreases that mainly accounted for the decrease during the fiscal year.
- The County's government-wide net assets for governmental activities for fiscal year 2010 were \$29,165,338 compared to \$27,187,457 in fiscal year 2009, an increase of \$1,977,881, or 7.27%.
- Revenues of the County's governmental activities increased by \$322,568, or 2.61%. The increase was due mainly to an increase in property and other county tax for fiscal year 2010.
- Expenses of the County's governmental activities decreased by \$22,516, or 0.21%. The largest increase was in the county environment and education function which increased by \$52,833, or 7.35%. The largest decreases were in the road and transportation function in the amount of \$115,963, or 2.78%, and the governmental services to residents function decreased by \$47,681, or 10.40%.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lyon County as a whole and present an overall view of the County's finances.

- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lyon County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lyon County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information further provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-Wide Financial Statements*

One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current activities, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

- 1) Governmental Funds account for most of the County's basic services. These focus on how money flows into and out of these funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Proprietary Funds account for the County's Internal Service Fund, Employee Group Health. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

- 3) Fiduciary Funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 Funds, Emergency Management Services Fund, County Assessor's Funds, and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Lyon County's combined net assets increased \$1,977,881 or 7.27% during this fiscal year. The analysis that follows focuses on the changes in the net assets for governmental activities from a year ago.

<b>Statement of Net Assets Government –Wide Activities</b>		
	June 30, 2010	June 30, 2009
Current and Other Assets	\$ 13,303,016	\$ 12,145,261
Capital Assets	23,085,448	22,343,411
Total Assets	36,388,464	34,488,672
Other Liabilities	5,436,611	5,378,080



Long-Term Liabilities	1,786,515	1,923,135
Total Liabilities	7,223,126	7,301,215

Net Assets:

Invested in Capital Assets, Net of Related Debt	21,539,982	20,626,123
Restricted	4,981,754	4,225,096
Unrestricted	2,643,602	2,336,238
Total Net Assets	\$ 29,165,338	\$ 27,187,457

The increase in current and other assets was mainly in the amount of cash and pooled investments and succeeding year property tax receivable. Other liabilities decreased as a result of a large decrease of accounts payable but this decrease was partially offset by a larger increase in deferred revenues. Long-term liabilities decreased due to payments made on existing long-term debt.

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$307,364, or 13.16%, during this fiscal year.

### Changes in Net Assets of Governmental Activities

	Year ended June 30, 2010	Year ended June 30, 2009
Revenues:		
Program Revenues:		
Charges for Service	\$ 1,557,419	\$ 1,514,841
Operating Grants, Contributions and Restricted Interest	4,036,476	4,009,036
Capital Grants, Contributions and Restricted Interest	1,718,372	1,717,913
General Revenues:		
Property Tax Levied for:		
General Purposes	4,171,967	3,818,250
Debt Service	239,243	239,184
Tax Incremental Financing Revenues	28,097	27,130
Penalty and Interest on Property Tax	22,077	19,766
State Tax Credits	223,644	235,220
Local Option Sales Tax	461,496	466,114
Grants and Contributions not Restricted to Specific Purposes	13,080	34,428
Unrestricted Investment Earnings	134,442	162,157
Rents	48,064	47,957
Other General Revenues	24,657	64,470
Total Revenues	\$ 12,679,034	\$ 12,356,466

Program Expenses:

Public Safety and Legal Services	2,579,433	2,560,073
Physical Health and Social Services	773,132	751,283
Mental Health	1,003,343	1,017,080
County Environment and Education	770,919	718,086
Roads and Transportation	4,054,538	4,170,501
Governmental Services to Residents	410,717	458,398
Administration	906,103	891,199
Non-Program Current	28,097	27,130
Interest on Long-Term Debt	99,064	77,095
Capital Projects	75,807	52,824
Total Expenses	<u>10,701,153</u>	<u>10,723,669</u>
Increase in Net Assets	1,977,881	1,632,797
Net Assets Beginning of Year	<u>27,187,457</u>	<u>25,554,660</u>
Net Assets End of Year	<u>\$ 29,165,338</u>	<u>\$ 27,187,457</u>

Lyon County increased the countywide property tax rate by 0.17482 per \$1,000 of valuation and increased the rural property tax rate by 0.04175 per \$1,000 of valuation. Taxable value by levy, actual levy rate per \$1,000 of valuation and total dollars levied are as follows:

	Taxes Levied Fiscal Year 2010 Audit Fiscal Year	Taxes Levied Fiscal Year 2009 Prior Fiscal Year
Countywide Taxable Valuation	\$ 533,205,168	\$ 504,398,243
Countywide Levy Rate Without Debt Service	5.35855	5.15563
Dollars Levied Without Debt	\$ 2,857,206	\$ 2,600,491
Countywide Taxable Valuation for Debt Service	\$ 546,288,981	\$ 515,882,898
Countywide Debt Service Levy	0.45474	0.48284
Dollars Levied for Debt Service	\$ 248,419	\$ 249,089
Total Countywide Levy Rate	5.81329	5.63847
Total Dollars Levied Countywide	\$ 3,105,625	\$ 2,849,580
Rural Taxable Valuation	\$ 394,351,034	\$ 371,879,575
Rural Service Tax Levy	3.75198	3.71023
Dollars Levied for Rural Area Only	\$ 1,479,597	\$ 1,379,759
Total Dollars Levied	\$ 4,585,222	\$ 4,229,339

\*Note taxable valuation is value without Gas & Electric Utilities

### Taxable Valuation History

Fiscal Year	Based on January 1st values	Countywide Valuation	Debt Service Valuation	Rural Service Valuation
FY 2009/2010	January 1, 2008	533,205,168	546,288,981	394,351,034
FY 2008/2009	January 1, 2007	504,398,243	515,882,898	371,879,575
FY 2007/2008	January 1, 2006	499,802,094	509,735,486	367,391,981
FY 2006/2007	January 1, 2005	492,338,833	501,828,733	359,466,942
FY 2005/2006	January 1, 2004	447,077,945	454,922,084	324,204,340
FY 2004/2005	January 1, 2003	442,415,580	450,267,510	321,739,429
FY 2003/2004	January 1, 2002	509,898,393	516,207,605	383,207,434
FY 2002/2003	January 1, 2001	501,029,153	505,341,538	376,294,755
FY 2001/2002	January 1, 2000	499,872,106	503,854,868	377,630,000
FY 2000/2001	January 1, 1999	482,739,583	486,234,877	363,003,857

- Lyon County's fiscal year 2010 countywide taxable valuation (without utilities) increased \$28,806,925 or 5.71% from fiscal year 2009; the debt service taxable valuation increased \$30,406,083 or 5.89% from fiscal year 2009; and the rural service valuation increased \$22,471,459 or 6.04% from fiscal year 2009.
- Taxable value is the property value used for computing property taxes. It is the fully assessed valuation reduced by any applicable tax abatement and statewide rollback factors. Residential, commercial and industrial property is based on Fair Market Value and Agricultural property is based on productivity and net earnings capacity value. Lyon County's valuations decreased sharply in fiscal year 2005 due to the Iowa Department of Revenue's productivity formula on agricultural property. Each county has an average productivity value. This value is based on a 5-year average of annual Iowa Crop and Livestock Reporting Service census data. The data is updated every odd-numbered year using the past 5 years of data. Iowa Code Section 441.21(1)e states "value of agricultural property shall be determined on the basis of productivity and net earnings capacity.....applied uniformly among counties and among classes of property".
- Lyon County farmland sales prices continue to rise. Land has been selling anywhere from \$4,000 an acre to \$9,000 an acre; with an average sale at approximately \$6,000 an acre. This helped contribute to the increase in the rural service valuation.
- The amount of the costs financed by users (charges for services) increased by \$42,578, or 2.81%. The largest increase in this type of revenue was generated by the public safety and legal services function.
- Operating grants, contributions and restricted interest increased by \$27,440, or 0.68%. The largest increase for this type of revenue was generated by roads and transportation while there was a large decrease in the mental health function.
- Capital grants, contributions and restricted interest were virtually the same as in fiscal year 2010 as in fiscal year 2009 (a \$459 increase).

- Property and other county tax revenues increased by \$353,776, or 8.72% due largely to the increase in valuations.
- Grants and contributions not restricted to specific purposes revenues decreased by \$21,348, or 62.01%. Unrestricted investment earnings decreased by \$27,715, or 17.09%. Other general revenues, decreased by \$39,813 or 61.75%.
- The cost of all governmental activities this year decreased by \$22,516, or 0.21%. Expenses for most of the functions expenses increased during the fiscal year. The largest increase was in the county environment and education function which increased by \$52,833, or 7.36%. The increase in most of the functions were offset mainly due to the road and transportation function decrease of \$115,963, or 2.78%, and the governmental services to residents function decrease of \$47,681, or 10.4%.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

Lyon County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Lyon County completed fiscal year 2010, its Governmental Funds reported a combined fund balance of \$6,312,558. This is in comparison to last fiscal year when the combined fund balance was \$5,351,648. This is an increase of \$960,910 from last year, or 17.96%. The following are the major reasons for the changes in fund balances of the major Governmental Funds from the prior year.

- **GENERAL BASIC FUND:** The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses are paid from this fund. The General Basic Fund ending fund balance was \$1,286,080. This is in comparison to last fiscal year when the fund balance was \$1,241,267. This is an increase of \$44,813 from last year, or 3.61%. For fiscal year 2010, expenditures totaled \$3,635,264 (fiscal year 2009 = \$3,905,069), a decrease of \$269,805 or 6.91%; operating transfers out totaled \$ 0 (fiscal year 2009 = \$86,444), a decrease of \$86,444, or 100% and revenues totaled \$3,680,077 (fiscal year 2009 = \$3,564,416), an increase of \$115,661, or 3.24%; other financing sources totaled \$ 0 (fiscal year 2009 = \$800), a decrease of \$800, or 100%. The levy for fiscal year 2010 was 3.50000 (fiscal year 2009 = 3.50000); the maximum amount allowed by law is 3.50000.
  - Current property tax revenues increased due to an increase in valuations.
  - Interest and penalty on property tax, intergovernmental revenues, licenses and permits and charges for service increased slightly during the fiscal year.
  - Use of money and property decreased mainly due to a drop in interest rates of investments.
  - Expenditures in capital projects decreased due to the new ambulance garage being built in last fiscal year (\$224,253 decreased from last year), and expenditures in administration last year for property and liability insurance costs were moved to General Supplemental.
  - There was no transfer to the Secondary Road Fund from General Basic in fiscal year 2010.

- **GENERAL SUPPLEMENTAL FUND:** The General Supplemental Fund is used when the basic levy is not sufficient to meet the county's needs. Expenditures the board may certify for this fund are listed in Iowa Code Section 331.424. For fiscal year 2009, Lyon County used the General Supplemental Fund mainly for the cost of health insurance, for fiscal year 2010 Lyon County also used this fund for the cost of property and liability insurance. The General Supplemental Fund ending fund balance was \$323,122. This is in comparison to last fiscal year when the fund balance was \$310,024. This is an increase of \$13,098 from last year, or 4.22%. For fiscal year 2010, expenditures totaled \$742,933 (fiscal year 2009 = \$610,167), an increase of \$132,766, or 21.76%, and revenues totaled \$756,031 (fiscal year 2009 = \$640,675), an increase of \$115,356 or 18.01%. The property tax levy for fiscal year 2010 was 1.40000 (fiscal year 2009 = 1.17128).
  - The property tax levy increased .22872 due to the expected increase in expenditures.
  - Expenditures increased mainly due to the cost of property and liability insurance now being paid out of the General Supplemental Fund (\$104,783 for fiscal year 2010). The cost of self-funding health insurance increased approximately 2%.
  
- **MENTAL HEALTH FUND:** The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services. The Mental Health ending fund balance was \$152,088. This is in comparison to last fiscal year when the fund balance was \$176,302. This is a decrease of \$24,214 from last year, or 13.73%. For fiscal year 2010, expenditures totaled \$1,007,259 (fiscal year 2009 = \$1,017,862), a decrease of \$10,603, or 1.04%, and revenues totaled \$983,045 (fiscal year 2009 = \$1,090,912), a decrease of \$107,867, or 9.89%. The levy for fiscal year 2010 was 0.45435 (fiscal year 2009 = 0.47973.). The County continues to look for ways to effectively manage the cost of mental health services.
  - The decrease in revenue was mainly due to receiving less in community services funds and the allowable growth factor funds from the State of Iowa which is based on your GAAP fund balance.
  - Lyon County entered into a 28E Agreement with Osceola County in fiscal year 2004 to share a Central Point Coordinator. The 28E Agreement continues in fiscal year 2010 with Osceola County currently paying Lyon County 1/3 of the CPC salary including IPERS and FICA.
  - Mental health costs continue remained constant as the County continues to look for ways to effectively manage the cost of mental health services.
  
- **RURAL SERVICES FUND:** The Rural Service Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas, including secondary road services, but excluding services financed by other statutory funds. The Rural Service ending fund balance was \$696,906. This is in comparison to last fiscal year when the fund balance was \$669,132. This is an increase of \$27,774 from last year or 4.15%. For fiscal year 2010, expenditures totaled \$923,600 (fiscal year 2009 = \$861,056), an increase over last year of \$62,544, or 7.26%; operating transfers totaled \$1,200,867 (fiscal year 2009 = \$1,133,419), an increase of \$67,448, or 5.95%, and revenues totaled \$2,152,241 (fiscal year 2009 = \$2,046,463), an increase over last year of \$105,778, or 5.178%. The levy for fiscal year 2010 was 3.75198 (fiscal year 2009 = 3.71023). The maximum allowed by law is 3.95000.

- Beside tax dollars collected, local option sales tax is the other major revenue source that is deposited in this fund to reduce property taxes. Major expenditures in this fund are law enforcement patrol, libraries support and rural economic development dues.
  - Revenues increased mainly due to an increase in property valuation which resulted in an increase in property tax revenues.
  - Expenditures mainly increased in public safety and legal services (uniformed patrol services area) function.
  - All of the Rural Service Fund operating transfers for fiscal year 2010 and 2009 went to the Secondary Roads Fund.
- **SECONDARY ROADS FUND:** The Secondary Roads Fund is used to account for secondary road construction and maintenance. The Secondary Roads ending fund balance was \$3,578,042. This is in comparison to last fiscal year when the fund balance was \$2,782,155. This is an increase of \$795,887 from last year, or 28.61%. For fiscal year 2010, expenditures totaled \$3,514,174 (fiscal year 2009 = \$4,101,871), a decrease from last year of \$587,697, or 14.33%; revenues totaled \$3,105,154 (fiscal year 2009 = \$2,861,481), an increase of \$243,673, or 8.52%; transfers received totaled \$1,200,867 (fiscal year 2009 = \$1,219,863), a decrease of \$18,996, or 1.56%; and other financing sources totaled \$4,040 (fiscal year 2009 = \$ 0 ), an increase of \$4,040, or 100%.
    - Expenditures in the bridges and culverts area decreased by almost \$86,000 due to a reduction in box culvert repairs.
    - Expenditures in the roads area decreased by almost \$86,000; there were no major road patching or sealing projects.
    - Expenditures in the new equipment decreased by almost \$342,000; the previous year the county had purchased a new motorgrader and gradall.
    - Expenditures in the equipment operations increased by almost \$73,000 due to costs of fuel and repairs.
    - Expenditures in the capital projects function decreased by almost \$112,000 due to a larger asphalt project in fiscal year 2009.
    - Revenues increased mainly due to an increase in Road Use Tax.
  - **DEBT SERVICE FUND:** The Debt Service Fund is used to account for property tax and other revenue designed to retire debt. The Debt Service Fund pays for the interest and principal due on the Law Enforcement Center general obligation bonds. The Debt Service Fund ending fund balance was \$14,066. This is in comparison to last fiscal year when the fund balance was \$11,293. This is a \$2,773 increase from last year, or 24.56%. For fiscal year 2010, expenditures totaled \$279,673 (fiscal year 2009 = \$252,685), an increase from last year of \$26,988, and revenues totaled \$256,606 (fiscal year 2009 = \$254,025), an increase from last year of \$2,581, or 1.02%. During fiscal year 2010, Lyon County refinanced their general obligation bonds to receive lower interest rates. Activity for fiscal year was as follow: tax collection and credits of \$251,519, interest income of \$5,087, refunding general obligation bond proceeds \$1,540,000 and premium on bond proceeds \$10,840, principal payment of \$185,000, interest payments of \$70,110, payment on 2001 general obligation bonds balance \$1,525,000 and bond administration fees of \$24,563.

- **OTHER SPECIAL REVENUE FUNDS:** The other Special Revenue Funds, which include REAP, County Government Assistance Fund, Recorder's Records Management, Tax Increment Financing, Sheriff's Asset Forfeiture, CS Projects & Land Acquisition Trust, Well Closing Trust, Economic Development, Attorney Incentive and Law Enforcement Grant Trust are classified as non-major Special Revenue Funds.

The Economic Development Fund helps to accomplish Lyon County's public purpose, which is to aggressively promote economic development with an economic development director. For fiscal year 2010, Lyon County and the majority of the cities in the county pay dues to fund this program. Current dues are based on the population figures from the last census; each entity's dues are \$10 per capita. Effective July 1, 2010, the 28E Agreement is dissolved and the General Basic Fund and Rural Service Fund will provide the funding.

The CS Projects and Conservation Land Acquisition Trust Fund allows the Conservation Department to do projects at its parks and to buy land for conservation purposes.

### **Budgetary Highlights**

In accordance with Iowa Code Section 331.434, the Board of Supervisors annually adopt a budget following required public notice and hearing for all funds, except Internal Service and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Over the course of the year, Lyon County amended its budget two times. The first amendment was adopted December 7, 2009 and resulted in an increase in budgeted disbursements of \$130,963. Reasons for this amendment included the county attorney received a grant for courthouse security for \$42,650; the roof was repaired and tuck point work at the annex building for \$12,750; County Ag Extension had a carryover balance of \$17,048 that was given to the County, but returned to the Extension as a donation; the Conservation needed \$44,262 for a recreation trail project and Peterson pond and received a grant of \$31,500 for the pond project; final bills on the ambulance garage of \$12,253 and autopsy expense of \$2,000.

The second amendment was adopted May 17, 2010 and resulted in an increase in budgeted disbursements of \$37,270. Reasons for this amendment were Lyon County refinanced the law enforcement general obligation bond; sheriff's office received a grant of \$13,108 and there were grand jury expenses of \$12,500 and autopsy expense and grant expenditures \$24,770.

Lyon County budgets on a cash accounting basis. In fiscal year 2010, Lyon County budgeted with amendments \$10,885,708 for receipts, \$11,392,250 for disbursements, net other financing sources over financing uses of \$1,437 and budgeted an ending cash balance of \$4,086,459. Lyon County actually finished the year with receipts of \$11,348,140, disbursements of \$10,604,419, and an ending cash balance of \$5,541,556.

## Capital Assets and Debt Administration

### Capital Assets

Lyon County concluded fiscal year 2010 with \$32,086,824 invested in a broad range of capital assets, including public safety equipment, buildings, park activities, roads and bridges. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

<b>Capital Assets of Governmental Activities at Year End</b>		
	June 30, 2010	June 30, 2009
Land	\$ 1,705,819	\$ 1,705,819
Buildings & Improvements	6,910,092	6,862,284
Machinery, Equipment & Vehicles	9,114,268	9,050,381
Infrastructure	14,008,311	12,751,876
Construction in Progress	348,334	0
Total	<u>\$ 32,086,824</u>	<u>\$ 30,370,360</u>

This year's major asset additions included:

Conservation:

Phase III Trail Project - \$22,761  
Peterson Pond - \$30,279  
2010 Polaris XP550 - \$7,611  
Entrance Booth Addition - \$5,048

Secondary Roads:

Road Projects - \$851,280 and \$405,155  
Shop/Salt Shed Improvements - \$13,920  
2010 Kenworth Truck - \$87,429  
Dump Box - \$52,928  
2010 Ford 150 Pickup - \$27,660  
2002 Chevy Pickup - \$11,500  
Mower - \$6,400  
Tandem Trailer - \$5,400

Sheriff:

2010 Chevy Impala - \$27,265  
2010 Chevy Impala - \$27,265  
2010 Ford Crown Victoria - \$22,858  
In-car Digital Video System - \$5,744

Courthouse:

3<sup>rd</sup> Floor Security Equipment - \$17,714

The County had depreciation expense of \$1,185,675 in fiscal year 2010 and total accumulated depreciation of \$9,001,376 as of June 30, 2010. The County implemented GASB Statement 51, Accounting and Financial Reporting for Intangible Assets, as of July 1, 2009. The County did not retroactively report intangible assets placed in service prior to this date and did not have any intangible additions during fiscal year 2010.



## Long-Term Debt

Lyon County issued general obligation bonds on November 1, 2001 in the amount of \$2,800,000 for the law enforcement center with an interest rate of 4.1%. During fiscal year 2010, Lyon County entered into a loan agreement with Northland Securities, Inc. dated March 15, 2010 to refund the County's outstanding General Obligation Bonds 2001 Series, dated November 1, 2001 and refinance this obligation. Lyon County paid off the outstanding \$1,525,000 principal balance on these loans on May 17, 2010 using refunding bonds proceeds.

Lyon County issued \$1,540,000 General Obligation Refunding Bonds, Series 2010A dated March 15, 2010. The first principal payment will be June 1, 2011 with the interest rate at 2% - 2.95%. Lyon County will save approximately \$99,000 in interest expense. Final principal payment will be due June 1, 2017. The paying agent is Bankers Trust of Des Moines. On June 30, 2010, Lyon County's outstanding debt for general obligation bonds was \$1,540,000; compared to \$1,710,000 on June 30, 2009.

The County entered into a 10 year interest free promissory note for property purchased by the Conservation department for real estate in fiscal year 2002/2003. The promissory note was for \$18,220. The promissory note provides for annual principal payments on October 15 in the amount of \$1,822. On June 30, 2010, the remaining balance was \$5,466; compared to \$7,288 on June 30, 2009.

### Outstanding Long-Term Debt of Governmental Activities at Year-End

	June 30, 2010	June 30, 2009
Land Loan Payable	\$ 5,466	\$ 7,288
Net OPEB Liability	9,475	0
Compensated Absences	231,574	205,847
General Obligation Bonds	1,540,000	1,710,000
Total	<u>\$ 1,786,515</u>	<u>\$ 1,923,135</u>

Standard & Poor's gives Lyon County a credit rating of "A/Developing". "A" summarized is a strong capacity to meet financial commitments but somewhat susceptible to adverse economic conditions and changes in circumstances. "Developing" means a rating may be raised or lowered. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. (This figure is 100% valuation less military exemptions). Lyon County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$38 million. Additional information about the County's long-term debt is presented in Notes 7 and 10 to the financial statements.

## Economic Factors and Next Year's Budgets and Rates (Fiscal Year 2011)

Lyon County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in Lyon County in December 2009 was at 4.2% (December 2010 was at 3.4%). This compared with the State's December 2009 unemployment rate of 6.6% (December 2010 was at 6.3%) and the national rate of 10.0% (December 2010 was at 9.4%).

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's December 2009 CPI rate was 205.613 (December 2010 = 209.270). The national December 2009 CPI rate was 215.949 (December 2010 = 219.179). The State's December 2009 CPI rate was 10.336 lower than the National CPI rate (December 2010 = 9.909).

These indicators affect the adopted budget for fiscal year 2011. Total disbursements and transfers in the fiscal year 2011 operating budget is \$12,379,597, compared to \$12,424,884 in the original budget for fiscal year 2010; a decrease of \$45,287 or 0.37%. Utility replacement and property tax dollars in the 2011 budget is \$5,050,529, compared to \$4,651,417 in 2010; an increase of \$399,112, or 8.58%. Countywide valuations (with utilities) for fiscal year 2011 are \$596,386,067 compared to \$541,082,712 fiscal year 2010, an increase of \$55,303,355, or 10.22%. Rural valuations (with utilities) for fiscal year 2011 are \$436,309,713, compared to \$399,789,422 in fiscal year 2010, an increase of \$36,520,291, or 9.14%.

Budgeted disbursements for fiscal year 2011 are less than the original budgeted disbursements for fiscal year 2010. Budgeted transfers to the Secondary Roads Fund are \$0 from the General Basic Fund and \$1,310,565 from the Rural Services Fund; this is the maximum allowed by law. Budgeted transfers to the Economic Development Fund are \$65,000 from the General Basic Fund and \$65,000 from the Rural Services Fund. Budgeted transfers increased from \$1,200,867 to \$1,440,565 in fiscal year 2011 (+\$239,698).

The public safety and legal services functions had the largest increase for fiscal year 2011. With a total increase of approximately \$118,000; criminal prosecution was up approximately \$49,000, which includes a new budget for security, and law enforcement was up approximately \$59,000. The roads and transportation function had the largest decrease for fiscal year 2011, a total decrease of approximately \$333,350: the new equipment area was down approximately \$231,000 and the real estate & buildings area was down approximately \$100,000.

Salaries increases were minimal with most employees receiving 1% and health insurance costs for self-funding increased 2%.

Iowa Code limits the General Fund levy rate to \$3.50 per \$1,000 of taxable value. Lyon County is at the maximum levy rate and does levy in the General Supplemental Fund. The General Supplemental levy for fiscal year 2011 is 1.40000. The General Supplemental levy remained unchanged compared to fiscal year 2010.

Iowa Code limits the Rural Services Basic levy rate to \$3.95 per \$1,000 of taxable value. Rural Services also has available a supplemental levy for expenditures if the maximum levy rate is met. Lyon County is below the maximum levy rate. The Rural Services levy for fiscal year 2011 is 3.75198. The Rural Service levy remained unchanged compared to fiscal year 2010.

### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Lyon County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Wayne Grooters  
Lyon County Auditor  
206 South 2<sup>nd</sup> Avenue  
Rock Rapids, Iowa.  
wgrooters@co.lyon.ia.us  
(712) 472-8517

Lyon County Board of Supervisors:

Stephen Michael	District #1
Merle Koedam	District #2
Mike Modder	District #3
Randy Bosch	District #4
Craig Block	District #5
Kirk J. Peters	District #5

Sources:      Unemployment: <http://www.iowaworkforce.org> <http://iwin.iwd.state.ia.us>  
Consumer Price index (Bureau of Labor Statistics): <http://www.bls.gov>  
State Auditor's Office: <http://auditor.iowa.gov>  
Credit Rating: <http://www.standardandpoors.com>

**Lyon County**  
**Basic Financial Statements**

Lyon County  
Statement of Net Assets  
June 30, 2010

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Pooled Investments	\$ 7,036,893
Receivables:	
Property Tax:	
Delinquent	45
Succeeding Year	4,833,420
Tax Increment Financing:	
Succeeding Year	34,573
Interest and Penalty on Property Tax	26
Accounts	231,113
Accrued Interest	536
Due from Agency Funds	54,293
Due from Other Governments	360,152
Inventories	674,150
Prepaid Expenses	10,355
Prepaid Lease	67,460
Capital Assets (Net of Accumulated Depreciation)	<u>23,085,448</u>
<b>Total Assets</b>	<u>36,388,464</u>
<b>Liabilities</b>	
Accounts Payable	289,177
Accrued Interest Payable	10,154
Salaries and Benefits Payable	45,197
Compensated Absences Payable	417
Due to Other Governments	112,199
Deferred Revenue:	
Succeeding Year Property Tax	4,833,420
Succeeding Year Tax Increment Financing	34,573
Other	111,474
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Land Loan Payable	1,822
General Obligation Bonds	200,000
Compensated Absences	209,210

**Exhibit A (Continued)**

## Lyon County

## Statement of Net Assets

June 30, 2010

**Liabilities (Continued)**

## Long-Term Liabilities (Continued):

## Portion Due or Payable After One Year:

Land Loan Payable	3,644
General Obligation Bonds	1,340,000
Compensated Absences	22,364
Net OPEB Liability	9,475

<b>Total Liabilities</b>	<b>7,223,126</b>
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**Net Assets**

Invested in Capital Assets, Net of Related Debt	21,539,982
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## Restricted for:

Supplemental Levy Purposes	323,129
Jail Improvements/Courthouse Security	89,858
Mental Health Purposes	169,515
Rural Services Purposes	663,420
Secondary Roads Purposes	3,470,110
Debt Service	3,915
Other Purposes	261,807

Unrestricted	2,643,602
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<b>Total Net Assets</b>	<b>\$ 29,165,338</b>
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Lyon County  
Statement of Activities  
Year Ended June 30, 2010

	Program Revenues				Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental Activities:					
Public Safety and Legal Services	\$ 2,579,433	636,887	115,575	35,322	(1,791,649)
Physical Health and Social Services	773,132	348,922	200,240	0	(223,970)
Mental Health	1,003,343	24,851	734,710	0	(243,782)
County Environment and Education	770,919	242,904	122,430	78,281	(327,304)
Roads and Transportation	4,054,538	73,284	2,859,955	1,604,769	483,470
Governmental Services to Residents	410,717	226,943	3,566	0	(180,208)
Administration	906,103	3,628	0	0	(902,475)
Non-Program Current	28,097	0	0	0	(28,097)
Interest on Long-Term Debt	99,064	0	0	0	(99,064)
Capital Projects	75,807	0	0	0	(75,807)
Total	\$ 10,701,153	1,557,419	4,036,476	1,718,372	(3,388,886)
<b>General Revenues:</b>					
Property and Other County Tax Levied for:					
General Purposes					4,171,967
Debt Service					239,243
Tax Increment Financing					28,097
Penalty and Interest on Property Tax					22,077
State Tax Credits					223,644
Local Option Sales Tax					461,496
Grants and Contributions Not Restricted to Specific Purpose					13,080
Unrestricted Investment Earnings					134,442
Rents					48,064
Gain on Disposal of Capital Assets					6,397
Miscellaneous					18,260
Total General Revenues					5,366,767
Change in Net Assets					1,977,881
Net Assets Beginning of Year					27,187,457
Net Assets End of Year					\$ 29,165,338

See notes to financial statements.

Lyon County  
Balance Sheet  
Governmental Funds  
June 30, 2010

	General	Special Revenue			Debt Service	Nonmajor Special Revenue	Total
		Mental Health	Rural Services	Secondary Roads			
<b>Assets</b>							
Cash and Pooled Investments	\$ 1,524,531	285,212	619,540	2,839,388	14,065	258,820	5,541,556
Receivables:							
Property Tax:							
Delinquent	39	3	0	0	3	0	45
Succeeding Year	2,798,635	232,742	1,569,023	0	233,020	0	4,833,420
Tax Increment Financing:							
Succeeding Year	0	0	0	0	0	34,573	34,573
Interest and Penalty on Property Tax	26	0	0	0	0	0	26
Accounts	177,162	0	225	3,131	0	802	181,320
Accrued Interest	536	0	0	0	0	0	536
Due from Other Funds	0	0	0	3,738	0	0	3,738
Due from Agency Funds	53,556	0	0	0	0	737	54,293
Due from Other Governments	84,988	20,024	81,991	170,649	0	2,500	360,152
Inventories	3,654	41	89	670,366	0	0	674,150
Prepaid Expenditures	10,355	0	0	0	0	0	10,355
Prepaid Lease	0	0	0	67,460	0	0	67,460
<b>Total Assets</b>	<b>\$ 4,653,482</b>	<b>538,022</b>	<b>2,270,868</b>	<b>3,754,732</b>	<b>247,088</b>	<b>297,432</b>	<b>11,761,624</b>



## Liabilities and Fund Balances

### Liabilities:

Accounts Payable	\$ 46,077	41,620	460	32,736	0	605	121,498
Salaries and Benefits Payable	20,141	0	741	24,315	0	0	45,197
Compensated Absences	417	0	0	0	0	0	417
Contracts Payable	0	0	0	0	0	0	0
Due to Other Funds	0	0	3,738	0	0	0	3,738
Due to Other Governments	12,188	91,546	0	8,465	0	0	112,199

### Deferred Revenue:

Succeeding Year Property Tax	2,798,635	232,742	1,569,023	0	233,020	0	4,833,420
Succeeding Year Tax Increment Financing	0	0	0	0	0	34,573	34,573
Other	166,822	20,026	0	111,174	2	0	298,024
<b>Total Liabilities</b>	<b>3,044,280</b>	<b>385,934</b>	<b>1,573,962</b>	<b>176,690</b>	<b>233,022</b>	<b>35,178</b>	<b>5,449,066</b>

### Fund Balances:

#### Reserved for:

Supplemental Levy Purposes	323,122	0	0	0	0	0	323,122
Debt Service	0	0	0	0	14,066	0	14,066
Jail Improvements/Courthouse Security	35,109	0	0	0	0	0	35,109

#### Unreserved:

##### Undesignated, Reported In:

General Fund	1,049,717	0	0	0	0	0	1,049,717
Special Revenue Funds	0	152,088	696,906	3,578,042	0	262,254	4,689,290

##### Designated For:

Ambulance Purposes	101,254	0	0	0	0	0	101,254
Courthouse Purposes	100,000	0	0	0	0	0	100,000
<b>Total Fund Balances</b>	<b>1,609,202</b>	<b>152,088</b>	<b>696,906</b>	<b>3,578,042</b>	<b>14,066</b>	<b>262,254</b>	<b>6,312,558</b>

### Total Liabilities and Fund Balances

\$ 4,653,482	538,022	2,270,868	3,754,732	247,088	297,432	11,761,624
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See notes to financial statements.

## Lyon County

Reconciliation of the Balance Sheet –  
Governmental Funds to the Statement of Net Assets

June 30, 2010

<b>Total Governmental Fund Balances (pages 22-23)</b>	<b>\$ 6,312,558</b>
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*Amounts reported for governmental activities in the Statement of Net Assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$32,086,824 and the accumulated depreciation is \$9,001,376.	23,085,448
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	186,550
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The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	1,377,451
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Long-term liabilities, including the accrued interest payable, land loan payable, general obligation bonds payable, certain compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,796,669)</u>
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<b>Net Assets of Governmental Activities (pages 19-20)</b>	<b><u>\$ 29,165,338</u></b>
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## Lyon County

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2010

	Special Revenue				Debt Service	Nonmajor	Total
	General	Mental Health	Rural Services	Secondary Roads		Special Revenue	
Revenues:							
Property and Other County Tax	\$ 2,515,014	231,576	1,425,375	0	239,243	0	4,411,208
Local Option Sales Tax	0	0	461,496	0	0	0	461,496
Tax Increment Financing	0	0	0	0	0	28,097	28,097
Interest and Penalty on Property Tax	22,061	0	0	0	0	0	22,061
Intergovernmental	950,109	743,553	248,615	3,052,947	12,276	184,337	5,191,837
Licenses and Permits	50,422	0	13,185	4,665	0	0	68,272
Charges for Service	713,753	7,821	2,223	3,032	0	46,600	773,429
Use of Money and Property	176,219	0	0	855	5,087	524	182,685
Miscellaneous	8,531	95	1,347	43,655	0	6,390	60,018
Total Revenues	4,436,109	983,045	2,152,241	3,105,154	256,606	265,948	11,199,103
Expenditures:							
Operating:							
Public Safety and Legal Services	1,803,038	0	756,621	0	0	13,108	2,572,767
Physical Health and Social Services	767,940	0	18,023	0	0	0	785,963
Mental Health	0	1,007,259	0	0	0	0	1,007,259
County Environment and Education	494,211	0	147,621	0	0	71,961	713,793
Roads and Transportation	0	0	0	3,424,984	0	0	3,424,984
Governmental Services to Residents	416,265	0	1,335	0	0	1,991	419,591
Administration	896,744	0	0	0	0	0	896,744
Non-Program Current	0	0	0	0	0	28,097	28,097

Debt Service	0	0	0	0	279,673	0	279,673
Capital Projects	0	0	0	89,190	0	50,012	139,202
Total Expenditures	<u>4,378,198</u>	<u>1,007,259</u>	<u>923,600</u>	<u>3,514,174</u>	<u>279,673</u>	<u>165,169</u>	<u>10,268,073</u>
Excess (Deficiency) of Revenues Over (Under ) Expenditures	<u>57,911</u>	<u>(24,214)</u>	<u>1,228,641</u>	<u>(409,020)</u>	<u>(23,067)</u>	<u>100,779</u>	<u>931,030</u>
Other Financing Sources (Uses):							
Sale of Capital Assets	0	0	0	4,040	0	0	4,040
Operating Transfers In	0	0	0	1,200,867	0	0	1,200,867
Operating Transfers Out	0	0	(1,200,867)	0	0	0	(1,200,867)
General Obligation Refunding Bonds Issued	0	0	0	0	1,540,000	0	1,540,000
General Obligation Refunding Bonds Premium	0	0	0	0	10,840	0	10,840
General Obligation Bonds Refunded	0	0	0	0	(1,525,000)	0	(1,525,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(1,200,867)</u>	<u>1,204,907</u>	<u>25,840</u>	<u>0</u>	<u>29,880</u>
Net Change in Fund Balances	57,911	(24,214)	27,774	795,887	2,773	100,779	960,910
Fund Balances Beginning of Year	<u>1,551,291</u>	<u>176,302</u>	<u>669,132</u>	<u>2,782,155</u>	<u>11,293</u>	<u>161,475</u>	<u>5,351,648</u>
Fund Balances End of Year	<u>\$ 1,609,202</u>	<u>152,088</u>	<u>696,906</u>	<u>3,578,042</u>	<u>14,066</u>	<u>262,254</u>	<u>6,312,558</u>

See notes to financial statements.

## Lyon County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances –  
Governmental Funds to the Statement of Activities

Year Ended June 30, 2010

**Net Change in Fund Balances - Total Governmental Funds (pages 25-26)**

\$ 960,910

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 371,782	
Capital assets contributed by the Iowa Department of Transportation	1,604,769	
Depreciation expense	<u>(1,185,675)</u>	790,876

In the Statement of Activities, the gains and losses on the disposition of capital assets are reported, whereas the governmental funds report only the proceeds from the disposition of capital assets as an increase in financial resources.

(48,839)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	2	
Other	<u>(160,740)</u>	(160,738)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure and refunding of long-term debt is an other financing use in the governmental funds, but the repayment/refunding reduces long-term liabilities in the Statement of Net Assets. Current year repayments and refundings exceeded issuances, as follows:

General obligation refunding bonds issued	(1,540,000)	
Repaid	186,822	
General obligation bonds refunded	<u>1,525,000</u>	171,822

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(25,727)	
Other postemployment benefits	(9,475)	
Interest on long-term debt	<u>(4,391)</u>	(39,593)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's employee health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

303,443

**Change in Net Assets of Governmental Activities (page 21)**\$1,977,881

See notes to financial statements.

Lyon County  
Statement of Net Assets  
Proprietary Fund  
June 30, 2010

	Internal Service - Employee Group Health
<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,495,337
Accounts Receivable	49,793
<b>Total Assets</b>	<b>1,545,130</b>
<b>Liabilities</b>	
Accounts Payable	167,679
<b>Net Assets</b>	
Unrestricted	<b>\$ 1,377,451</b>

See notes to financial statements.

## Lyon County

Statement of Revenues, Expenses and Changes  
in Fund Net Assets  
Proprietary Fund

Year Ended June 30, 2010

		Internal Service - Employee Group Health
Operating Revenues:		
Reimbursements from Governmental Funds		\$ 1,170,480
Reimbursements from Agency Funds (Assessor/Assessor - Special Appraisers)		57,720
Reimbursements from Current Employees		105,700
Reimbursements from Retired Employees		4,020
Insurance Reimbursements/Pharmacy Rebates		365,973
Total Operating Revenues		<u>1,703,893</u>
Operating Expenses:		
Medical Claims	\$ 1,135,246	
Insurance Premiums	259,803	
Administrative Fees	20,412	
Certification of Insurance	100	
Chapter 509A Filing Fee	925	
GASB 45 (OPEB) Actuarial Fees	2,500	
Miscellaneous Fees	130	
Operating Income		<u>1,419,116</u>
		284,777
Non-Operating Revenues:		
Interest Income		<u>18,666</u>
Net Income		303,443
Net Assets Beginning of Year		<u>1,074,008</u>
Net Assets End of Year		<u><u>\$ 1,377,451</u></u>

See notes to financial statements.

## Lyon County

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2010

	<u>Internal Service - Employee Group Health</u>
Cash Flows from Operating Activities:	
Cash Received from Governmental Funds Reimbursements	\$ 1,170,480
Cash Received from Agency Funds Reimbursements	57,720
Cash Received from Current and Retired Employees	109,720
Cash Received from Insurance Reimb./Pharmacy Rebates	391,625
Cash Paid to Suppliers for Services/Charges	<u>(1,379,592)</u>
Net Cash Provided by Operating Activities	349,953
Cash Flows from Investing Activities:	
Interest on Investments	<u>18,666</u>
Net Increase in Cash and Cash Equivalents	368,619
Cash and Cash Equivalents Beginning of Year	<u>1,126,718</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 1,495,337</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ 284,777
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease in Accounts Receivable	25,630
Decrease in Prepaid Expenses	22,138
Increase in Accounts Payable	<u>17,408</u>
Net Cash Provided by Operating Activities	<u><u>\$ 349,953</u></u>

See notes to financial statements.



Lyon County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2010

**Assets**

Cash and Pooled Investments:

County Treasurer	\$ 703,812
Other County Officials	54,213
Flex Spending Plan	3,646

Receivables:

Property Tax:	
Delinquent	225
Succeeding Year	11,216,947

Tax Increment Financing:

Succeeding Year	449,944
Accounts	17,900
Special Assessments	3,616

Due from Other Agency Fund 816

Due from Other Governments 9,939

Inventories 5,591

<b>Total Assets</b>	12,466,649
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**Liabilities**

Accounts Payable 2,740

Due to County Funds 54,293

Due to Other Agency Fund 816

Due to Other Governments 12,327,653

Trusts Payable 64,546

Compensated Absences 16,601

<b>Total Liabilities</b>	12,466,649
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<b>Net Assets</b>	\$ 0
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See notes to financial statements.

## **Lyon County**

### **Notes to Financial Statements**

June 30, 2010

#### **(1) Summary of Significant Accounting Policies**

Lyon County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. Appointed/hired officials and department heads that assist the Board of Supervisors include the Central Point Coordinator, Conservation Director, Engineer, Health Services Administrator and the Economic Development Director. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, Lyon County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Criteria also can include an organization's fiscal dependency on the County or if it would be significantly misleading to exclude an organization because of its relationship with the County. Lyon County has no component units which meet the Governmental Accounting Standards Board Criteria in order to be included in Lyon County's reporting entity.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lyon County Assessor's Conference Board, Lyon County Emergency Management Commission, Lyon County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Lyon County Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing

Authority. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County for the Assessor, Joint E911 Service, and Emergency Management and not reported for the Northwest Iowa Area Solid Waste Agency, the Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. During the year ended June 30, 2010, the County did not receive any revenue from or contribute any money to the Region III Hazardous Material Response Commission, the Northwest Iowa Contracting Consortium, the Northwest Iowa Regional Housing Authority, or the Lyon County Economic Development Consortium. The County paid \$315 to the Northwest Iowa Solid Waste Agency for florescent bulbs disposal, \$31,950 to YES for juvenile services provided and \$35,500 in support for the Emergency Management Services. The Joint E911 Service paid the County \$5,000 for sign work and supplies; the Emergency Management Services paid the County \$2,400 for office space rent and \$660 for phone privileges; and the County Assessor contributed \$57,485 to the County's Internal Service Fund, Employee Group Health, to participate in the County's health insurance plan.

#### B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function.

Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general obligation bonds long-term debt.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a

liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, any claims and judgments and compensated absences (for employees who haven't terminated employment) are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of any general long-term debt and acquisitions under capital leases are reported as other financing sources; refunding of long-term debt is reported as an other financing use.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to various funds, current employees and retired employees for health plan costs and insurance reimbursements. Operating expenses for the Internal Service Fund include the cost of services and administrative related

expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost, the investment in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) where the cost and fair market value are considered equal and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax and Tax Increment Financing Receivables – Property tax and tax increment financing in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenues are deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which each is levied.

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; are based on January 1, 2008 assessed property valuations; are for the tax accrual period July 1, 2009 through June 30, 2010 and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Accounts Receivable – Accounts receivable represents money owed to the County, mainly for services provided by the County, which was not paid to the County as of June 30, 2010. The General Fund accounts receivable total includes \$92,119 in jail fees receivables and \$71,401 in ambulance charges receivables that were not collected within sixty days after year end. It is possible that a large portion of these jail fees and ambulance charges receivables may not be collected within one year.

Due from Other Funds, Due from Agency Funds, Due from Other Agency Funds, Due to Other Funds, Due to County Funds and Due to Other Agency Funds – During the course of its normal operations, the County has numerous transactions between the County's governmental funds, the Employee Group Health Fund and agency funds, and between different agency funds. To the extent that certain transactions between the County's governmental funds and agency funds and between different agency funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the governmental funds consist mainly of expendable supplies held for consumption and some secondary roads supplies available for resale. Inventories of governmental funds are recorded as expenses/expenditures when consumed or sold rather than when purchased. Inventories in the agency funds consist of expendable supplies held for consumption and commissary items held for sale at the jail.

Prepaid Expenses/Expenditures and Prepaid Lease – Prepaid expenses/ expenditures and prepaid lease represent a lease agreement and other expenses/expenditures that will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles (when any) and infrastructure assets (e.g., roads, bridges, drainage systems and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Only costs related to infrastructure assets that are finished on or after July 1, 2004 are reported. Infrastructure assets finished on or before June 30, 2003 are not reported. The County implemented GASB Statement 51, Accounting and Financial Reporting for Intangible Assets, as of July 1, 2009. The County is not required to and has not retroactively reported intangible assets placed in service prior to this date. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair

market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	25,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Intangibles	3 – 40
Machinery and Equipment	3 – 15
Vehicles	3 – 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved or other requirements are met.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivables that will not be recognized as revenue until the year for which they are levied and unspent grant proceeds.



Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in governmental fund financial statements only for employees that have resigned, retired or had their employment terminated. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, Secondary Roads and Economic Development Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of any debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose (including inmate room and board collections reserved for jail improvements/courthouse security in accordance with Chapter 356.7(5) of the Code of Iowa). Designations of fund balance represent tentative management plans that are subject to change. Designated equity reported in the governmental fund financial statements for the County is intended for the following purposes:

Fund	Purpose
General Fund	Specified \$1,254 for security cameras for the ambulance building, \$100,000 for the purchase of an ambulance vehicle and \$100,000 for courthouse repair/improvement projects (building and grounds projects).

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the debt service function but disbursements did not exceed any of the amounts appropriated in any department.

## (2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute and its written investment policy to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2010, the County had the following investments:

Type	Pool/Number	Maturity Date	Fair Value
FHLMC	SER 2115 CL	January 15, 2029	\$ 75,245
FHLMC	SER 1570 CL	August 15, 2023	18,744
			<u>\$ 93,989</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$1,001 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and investments in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) with a carrying and fair value of \$70,892, that are not subject to risk categorization.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investments in the FHLMCs, Iowa Public Agency Investment Trust and the Wells Fargo Advantage Government Money Market Fund at June 30, 2010 are unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one type of investment or any single issuer, except for prime banker's acceptances and commercial paper. Each type of investment, prime banker's acceptances and commercial paper, at the time of purchase, is limited to ten percent of the total investment portfolio. No more than five percent of the total investment portfolio may be invested in the securities of a single issuer for prime banker's acceptances and commercial paper. Also, no more than five percent of the amount invested in commercial paper shall be invested in paper rated in the second highest

classification. The County had no investments in prime banker's acceptances and commercial paper during the fiscal year ended June 30, 2010.

**(3) Due from Other Funds, Due from Agency Funds, Due from Other Agency Funds, Due to Other Funds, Due to County Funds, and Due to Other Agency Funds**

The detail of receivables and payables between the County's different governmental funds and agency funds and between different agency funds for transactions at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency:	
	County Offices (Recorder, Sheriff, Conservation)	\$ 42,990
	Auto License and Use Tax	10,566
Special Revenue: Secondary Roads	Special Revenue: Rural Services	3,738
County Recorder's Records Management	Agency: County Offices (Recorder)	737
Agency: Other (Co. Recorder's Electronic Fee)	Agency: County Offices (Recorder)	816
Total		<u>\$ 58,847</u>

These balances result from the time lag between the dates interfund goods and services are provided, reimbursable expenditures occur or money is collected in an agency fund, the transactions/collections are recorded in the accounting system, and the resulting payments are made to the County's appropriate governmental fund or agency fund.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 1,200,867</u>

The Rural Services Fund transfer to the Secondary Roads Fund was generally to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The County Assessor-Special Appraisers Agency Fund also transferred \$45,000 to the County Assessor Agency Fund to assist the County Assessor Fund in covering operating costs. Please see “Schedule of Findings – Other Findings Related to Required Statutory Reporting: 10-10” regarding this transfer.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,705,819	0	0	1,705,819
Construction in Progress	0	348,334	0	348,334
Total Capital Assets Not Being Depreciated	1,705,819	348,334	0	2,054,153
Capital Assets Being Depreciated:				
Buildings	6,144,870	18,968 ( 24,200)		6,139,638
Improvements Other Than Buildings	717,414	53,040	0	770,454
Machinery, Equipment and Vehicles	9,050,381	299,774 ( 235,887)		9,114,268
Infrastructure	12,751,876	1,256,435	0	14,008,311
Total Capital Assets Being Depreciated	28,664,541	1,628,217 ( 260,087)		30,032,671
Less Accumulated Depreciation For:				
Buildings	1,587,049	146,521 ( 21,780)		1,711,790
Improvements Other Than Buildings	277,126	33,735	0	310,861
Machinery, Equipment and Vehicles	4,655,400	548,577 ( 189,468)		5,014,509
Infrastructure	1,507,374	456,842	0	1,964,216
Total Accumulated Depreciation	8,026,949	1,185,675 ( 211,248)		9,001,376
Total Capital Assets Being Depreciated, Net	20,637,592	442,542 ( 48,839)		21,031,295
Governmental Activities Capital Assets, Net	22,343,411	790,876 ( 48,839)		23,085,448

The County does not have any “intangible” capital assets as of June 30, 2010.

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$ 168,818
Physical Health and Social Services	701
County Environment and Education	82,766
Roads and Transportation	879,486
Governmental Services to Residents	9,328
Administration	44,576
Total Depreciation Expense – Governmental Activities	\$ 1,185,675

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax and other county tax (including TIF) for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 12,188
Special Revenue:		
Mental Health	Services	91,546
Secondary Roads	Services	8,465
Special Revenue Total		100,011
Total for Governmental Funds		\$ 112,199
Agency:		
County Offices	Collections	\$ 15,465
Agricultural Extension Education		169,416
County Assessor		150,514
County Assessor – Special Appraisers		190,165
Schools		8,024,593
Community Colleges		390,250
Corporations		2,707,933
Townships		199,156
Auto License and Use Tax		255,815
E911 Surcharge		164,424
E911 Operating		8,008
Emergency Management		44,146
All Other		7,768
Total for Agency Funds		\$ 12,327,653

**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	General Obligation Bonds	Compensated Absences	Land Loan	Net OPEB Liability	Total
Balance Beginning of Year	\$ 1,710,000	205,847	7,288	0	1,923,135
Increases	1,540,000	306,557	0	9,475	1,856,032
Decreases	( 1,710,000)	( 280,830)	( 1,822)	( 0)	( 1,992,652)
Balance End of Year	\$ 1,540,000	231,574	5,466	9,475	1,786,515
Due Within One Year	\$ 200,000	209,210	1,822	0	411,032

## Bonds Payable

A summary of the County's June 30, 2010 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	2.00%	\$ 200,000	42,416	242,416
2012	2.00%	210,000	31,022	241,022
2013	2.00%	215,000	26,823	241,823
2014	2.00%	220,000	22,523	242,523
2015	2.25%	225,000	18,122	243,122
2016	2.60%	230,000	13,060	243,060
2017	2.95%	240,000	7,080	247,080
Total		\$ 1,540,000	161,046	1,701,046

During the fiscal year ended June 30, 2010, the County issued \$1,540,000 in general obligation refunding bonds, series 2010 A dated March 15, 2010 for the purpose of refunding the County's general obligation bonds dated November 1, 2001 (these bonds were issued to build a new law enforcement center). The bonds, series 2010 A dated March 15, 2010, were issued at a premium of \$10,840. The net interest cost on these bonds are 2.49%. Bonds maturing in the year 2017 are callable at the option of the County in whole or in part on June 1, 2016, or on any date thereafter, at a price of par plus accrued interest.

The County also paid interest of \$70,110 and bond administration charges of \$24,563 (\$15,400 underwriters discount, \$8,288 legal fees and \$875 bond fees) during the fiscal year. The total outstanding balance of the November 1, 2001 general obligation bonds, \$1,710,000, was redeemed in May 2010 (\$185,000 from debt service taxes and \$1,525,000 from the refunding bond proceeds). These general obligations bonds (original and refunding) are being redeemed through the Debt Service Fund.

## Land Loan Payable

During the fiscal year ended June 30, 2003, the County purchased real estate for conservation purposes for \$59,620. The County paid for most of the purchase price from the General Fund with a portion of the cost being set up to be paid as a promissory note to the seller. The note carries a 0% interest rate. The promissory note provides for payment of principal in the amount of \$1,822 on the 15<sup>th</sup> of each October until the note is satisfied. Payments of the \$1,822 are scheduled to be paid annually until October 15, 2012. The County paid off \$1,822 of the loan during the fiscal year ended June 30, 2010, resulting in a loan balance of \$5,466 on June 30, 2010. This loan is being satisfied through the General Fund.

## **(8) Operating Lease Arrangements**

### Fair Building

On September 25, 2000, the County entered into a written agreement with the Lyon County Fair Association to share in the costs of constructing a building to be located on the fairgrounds. The building is to be owned by the Lyon County Fair Association, but under the terms of the agreement, the building can be used for storage by the County's Secondary Road Department for the majority of the year. As per the agreement, the County agreed to and paid for one-half of the building costs up to \$100,000 in 2000.

This agreement will terminate thirty years from September 25, 2000. This agreement may be extended upon such additional terms as is satisfactory to both parties. Any extension agreement and its terms must be executed prior to sixty days of the date of the termination of this agreement. Lyon County shall have the just right to refusal upon the offering of the fair building for sale. In such event, Lyon County shall have thirty days to meet any other offers for purchase.

The \$67,460, reported as a prepaid lease asset in the Statement of Net Assets and the Balance Sheet (Governmental Funds) in the Secondary Roads Fund, represents the amortized value of the lease benefit remaining from July 1, 2010 until September 24, 2030.

### Office Space in the Annex Building

The Secondary Roads Fund paid the General Fund \$12,000 during fiscal year ended June 30, 2010 for the County Engineer's department office space in the Lyon County annex building.

## **(9) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$289,944, \$261,471 and \$228,751, respectively, equal to the required contributions for each year.

**(10) Other Postemployment Benefits (OPEB)**

Lyon County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 81 active and no retired members participating in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-funded medical plan administered by First Administrators, Inc. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 10,158
Interest on net OPEB obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost	10,158
Contributions made	<u>(683)</u>
Increase in net OPEB obligation	9,475
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u>\$ 9,475</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$683 to the medical plan. Plan members eligible for benefits did not make any contributions.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:



Year Ended June 30,	Percentage of Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 10,158	6.9%	\$ 9,475

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$81,273, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$81,273. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,243,687 and the ratio of the UAAL to covered payroll was 2.5%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2010 using Scale AA. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007. Termination rates were set based on the historical experience of the County.

Projected claim costs of the medical plan are \$8,040 annually for retirees less than age 60 and \$9,900 annually for retirees who have attained age 60. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(11) Risk Management**

Lyon County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2009 were \$158,026.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been

recorded in the County's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$2,000,000, employee blanket bonding in the amount of \$200,000 and credit card forgery in the amount of \$25,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **(12) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance from the Sun Life Assurance Company of Canada/Sun Life Financial. The stop loss insurance coverage has a maximum lifetime reimbursement amount of \$2,000,000 per eligible participant and an annual maximum aggregate reimbursement of \$1,000,000.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees, stop loss insurance premiums, and claims processed are paid to First Administrators, Inc. from the Employee Group Health Fund. The County's contributions from governmental funds to this fund for the year ended June 30, 2010 were \$1,170,480. The County Assessor/County Assessor – Special Appraisers contributed \$57,720 to this fund during the fiscal year.

Amounts payable from the Employee Group Health Fund at June 30, 2010 total \$167,679, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,377,451 at June 30, 2010 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been

established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid medical claims beginning of fiscal year	\$ 150,271
Incurred medical claims (including medical claims incurred but not reported as of June 30, 2010):	
Current and prior year events	1,135,246
Payments:	
Current and prior year events	<u>( 1,117,838)</u>
Unpaid medical claims end of fiscal year	<u>\$ 167,671</u>

The change in the provision for events of prior fiscal years for incurred claims and payments on claims attributable to events of prior fiscal years is not disclosed separately. This information is not available as it was not determined by the actuary while preparing the actuarial opinion.

### **(13) Intergovernmental Agreement**

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2010, except for \$315 to dispose florescent bulbs.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a “Local Government Guarantee” in order to provide a financial assurance mechanism instrument for the Agency. The closure and postclosure costs to the Agency have been estimated at \$2,207,425 as of June 30, 2010 and the portion of the liability that has been recognized by the Agency as of June 30, 2010 is \$1,222,574. The estimated remaining life of the landfill is 29 years and the capacity used at June 30, 2010 is approximately 55 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2010, assets of \$1,456,299 are restricted for these purposes and the Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 111 of the Iowa Administrative Code. No estimate has been made as to any possible future assessments to the County.

#### **(14) Commitments**

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. This agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. The annual base charge for fiscal year ending June 30, 2011 is \$9,988. In fiscal years ending June 30, 2012 and June 30, 2013, the annual base charge will be revised to adjust for program costs and the estimated U.S. Census Bureau data from 2010. In fiscal year ending June 30, 2014 to June 30, 2016, the annual base charge will be revised to adjust to the actual U.S. Census Bureau population figures from 2010. In fiscal year ending June 30, 2017, the annual base charge will be adjusted to reflect the estimated U.S. Census Bureau population data for 2015. Assuming no revisions to the agreement for program costs or population base, the annual base charges for fiscal years ending June 30, 2012-17 would be \$9,988 per year for a total of \$59,928. The payments for these charges are scheduled to be paid through Lyon County Emergency Management Services. The Emergency Management Services paid \$9,988 per the agreement during the fiscal year ended June 30, 2010.

The County has an agreement for the rental of a mailing system until June 30, 2011. The annual payment due in quarterly installments to be paid by the General Fund will be \$1,380 for June 30, 2011. The County paid \$1,380 out of the General Fund on this commitment during the fiscal year ended June 30, 2010.

In May 2010, the Board of Supervisors approved the purchase of a new Kenworth truck from Secondary Roads (See Note(16) – Subsequent Events for payment information).

In June 2010, the Conservation Board accepted a bid for \$23,405 to establish a wetland at LRRWA-Central (See Note(16) – Subsequent Events for payment information).

#### **(15) Contingency**

In May 2010, the County was notified that the County has been named as a defendant in a pending lawsuit relating to an accident in January 2009 between a delivery truck and a County snow plow. The County denies any liability in this dispute. The County does carry insurance coverage for this type of risk and this issue has been passed on to the insurance carrier's legal counsel. No amount for any possible liability is reflected in the County's financial statements.

#### **(16) Subsequent Events**

Events that have occurred subsequent to June 30, 2010 include the following:

- a. In September 2010, the Board of Supervisors approved and IDOT Rise Project agreement for a road construction project which would expand Highway 9 to widen the road and add turning lanes. In February 2011, the County accepted a bid

for the project for \$945,503. Payment to date for work completed is \$535,775 which has been paid from the General Basic Fund. Upon completion of the project, the County will receive reimbursement of the cost from the IDOT Rise Project and a private business.

- b. In October 2010, payment was made from the Secondary Roads Fund for \$83,260 (with trade in) for a new truck that was originally approved by the Board of Supervisors in May 2010.
- c. In November 2010, payment was made from the CS Projects & Acquisition Fund for \$23,405 for wetland project at LRRWA – Central that was originally approved by the Conservation Board in June 2010.
- d. In December 2010, payment was made from the Secondary Roads Fund for \$146,959 for slope repair to a road which was the result of damage.
- e. In January 2011, the County received a Community Development Block Grant from the Iowa Department of Economic Development for \$72,000. The County disbursed \$62,000 of these funds as a forgivable loan to a company to enhance economic growth in the County. Upon meeting specific conditions under the loan agreement, the County will forgive the loan balance. Additionally, \$9,100 was paid to the Northwest Iowa Planning Council for administrative fees related to this Community Development Block Grant. This project is being handles through the General Fund.

#### **(17) Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Lyon County**  
**Required Supplementary Information**

Lyon County

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances—  
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year Ended June 30, 2010

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and Other County Tax	\$ 4,899,624	4,881,382	4,881,382	18,242
Interest and Penalty on Property Tax	22,313	20,050	20,050	2,263
Intergovernmental	5,335,034	4,858,304	4,962,610	372,424
Licenses and Permits	68,155	65,636	65,636	2,519
Charges for Service	774,688	680,900	680,900	93,788
Use of Money and Property	189,451	237,530	237,530	(48,079)
Miscellaneous	58,875	37,600	37,600	21,275
Total Receipts	11,348,140	10,781,402	10,885,708	462,432
Disbursements				
Public Safety and Legal Services	2,577,836	2,553,557	2,628,615	50,779
Physical Health and Social Services	778,592	881,347	884,347	105,755
Mental Health	1,030,842	1,064,704	1,064,704	33,862
County Environment and Education	722,519	772,472	793,382	70,863
Roads and Transportation	3,727,988	4,091,210	4,191,210	463,222
Governmental Services to Residents	416,108	452,179	452,179	36,071
Administration	880,097	903,713	916,463	36,366
Non-Program Current	28,097	28,125	28,125	28
Debt Service	279,673	255,710	255,710	(23,963)
Capital Projects	162,667	221,000	177,515	14,848
Total Disbursements	10,604,419	11,224,017	11,392,250	787,831
Excess (Deficiency) of Receipts Over (Under) Disbursements	743,721	(442,615)	(506,542)	1,250,263
Other Financing Sources, Net	30,580	0	1,437	29,143
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	774,301	(442,615)	(505,105)	1,279,406
Balances Beginning of Year	4,767,255	4,591,564	4,591,564	175,691
Balances End of Year	\$ 5,541,556	4,148,949	4,086,459	1,455,097

See accompanying independent auditor's report.



Lyon County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 11,348,140	(149,037)	11,199,103
Expenditures	10,604,419	(336,346)	10,268,073
Net	743,721	187,309	931,030
Other Financing Sources, Net	30,580	(700)	29,880
Beginning Fund Balances	4,767,255	584,393	5,351,648
Ending Fund Balances	<u>\$ 5,541,556</u>	<u>771,002</u>	<u>6,312,558</u>

See accompanying independent auditor's report.

## Lyon County

### Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except the Internal Service Fund and the Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund (when applicable). Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$168,233. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the debt service function.

Lyon County

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	81,273	81,273	0.00%	3,243,687	2.5%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

**Lyon County**  
**Other Supplementary Information**

Lyon County  
Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2010

<b>Assets</b>	County Government Assistance	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Asset Forfeiture
Cash and Pooled Investments	\$ 18,248	26,056	21,567	3,703
Receivables:				
Tax Increment Financing:				
Succeeding Year	0	0	0	0
Accounts Receivable	0	0	0	0
Due from Agency Funds	0	0	737	0
Due from Other Governments	0	0	0	0
<b>Total Assets</b>	<b>\$ 18,248</b>	<b>26,056</b>	<b>22,304</b>	<b>3,703</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 0	0	0	0
Deferred Revenue:				
Succeeding Year Tax Increment Financing	0	0	0	0
Total Liabilities	0	0	0	0
Fund Equity:				
Fund Balances:				
Unreserved	18,248	26,056	22,304	3,703
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,248</b>	<b>26,056</b>	<b>22,304</b>	<b>3,703</b>

See accompanying independent auditor's report.

**Schedule 1**

County Tax Increment Financing	CS Projects & Conservation Land Acquisition Trust	Well Closing Trust	Economic Development	County Attorney Incentive	Total
0	55,653	27,973	82,902	22,718	258,820
34,573	0	0	0	0	34,573
0	252	0	550	0	802
0	0	0	0	0	737
0	0	0	1,870	630	2,500
34,573	55,905	27,973	85,322	23,348	297,432
0	0	0	605	0	605
34,573	0	0	0	0	34,573
34,573	0	0	605	0	35,178
0	55,905	27,973	84,717	23,348	262,254
34,573	55,905	27,973	85,322	23,348	297,432

Lyon County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year Ended June 30, 2010

	County Government Assistance	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Asset Forfeiture
Revenues:				
Tax Increment Financing	\$ 0	0	0	0
Intergovernmental	0	15,233	0	0
Charges for Service	0	0	2,809	0
Use of Money and Property	0	154	159	0
Miscellaneous	0	0	0	11
Total Revenues	0	15,387	2,968	11
Expenditures:				
Operating:				
Public Safety and Legal Services	0	0	0	0
County Environment and Education	0	0	0	0
Governmental Services to Residents	0	0	1,991	0
Non-Program Current	0	0	0	0
Capital Projects	0	0	0	0
Total Expenditures	0	0	1,991	0
Net Change in Fund Balances	0	15,387	977	11
Fund Balances Beginning of Year	18,248	10,669	21,327	3,692
Fund Balance End of Year	\$ 18,248	26,056	22,304	3,703

See accompanying independent auditor's report.

**Schedule 2**

**Lyon County**

**Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds**

June 30, 2010

County Tax Increment Financing	CS Project & Conservation Land Acquisition Trust	Well Closing Trust	Economic Development	County Attorney Incentive	Law Enforcement Grant Trust	Total
28,097	0	0	0	0	0	28,097
0	52,281	0	99,881	3,834	13,108	184,337
0	43,791	0	0	0	0	46,600
0	211	0	0	0	0	524
0	0	0	6,379	0	0	6,390
28,097	96,283	0	106,260	3,834	13,108	265,948
0	0	0	0	0	13,108	13,108
0	0	0	71,961	0	0	71,961
0	0	0	0	0	0	1,991
28,097	0	0	0	0	0	28,097
0	50,012	0	0	0	0	50,012
28,097	50,012	0	71,961	0	13,108	165,169
0	46,271	0	34,299	3,834	0	100,779
0	9,634	27,973	50,418	19,514	0	161,475
0	55,905	27,973	84,717	23,348	0	262,254

See accompanying independent auditor's report.



Lyon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year Ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers	Schools	Community Colleges
<b>Assets</b>						
Cash and Pooled Investments:						
County Treasurer	\$ 0	1,819	38,184	35,403	79,310	3,970
Other County Officials	54,213	0	0	0	0	0
Flex Spending Plan	0	0	0	0	0	0
Receivables:						
Property Tax:						
Delinquent	0	2	2	2	106	5
Succeeding Year	0	167,595	129,836	154,760	7,945,177	386,275
Tax Increment Financing:						
Succeeding Year	0	0	0	0	0	0
Accounts	1,027	0	2	0	0	0
Special Assessments	0	0	0	0	0	0
Due from Other Agency Funds	0	0	0	0	0	0
Due from Other Governments	0	0	0	0	0	0
Inventories	5,348	0	243	0	0	0
<b>Total Assets</b>	<b>\$ 60,588</b>	<b>169,416</b>	<b>168,267</b>	<b>190,165</b>	<b>8,024,593</b>	<b>390,250</b>
<b>Liabilities</b>						
Accounts Payable	\$ 0	0	1,152	0	0	0
Due to County Funds	43,727	0	0	0	0	0
Due to Other Agency Funds	816	0	0	0	0	0
Due to Other Governments	15,465	169,416	150,514	190,165	8,024,593	390,250
Trusts Payable	580	0	0	0	0	0
Compensated Absences	0	0	16,601	0	0	0
<b>Total Liabilities</b>	<b>\$ 60,588</b>	<b>169,416</b>	<b>168,267</b>	<b>190,165</b>	<b>8,024,593</b>	<b>390,250</b>

**Schedule 3**

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	E911 Operating	Emergency Management	Advance Tax Collections	Other	Total
23,478	2,197	266,381	141,254	8,008	42,094	58,746	2,968	703,812
0	0	0	0	0	0	0	0	54,213
0	0	0	0	0	0	0	3,646	3,646
108	0	0	0	0	0	0	0	225
2,234,403	196,959	0	0	0	0	0	1,942	11,216,947
449,944	0	0	0	0	0	0	0	449,944
0	0	0	16,871	0	0	0	0	17,900
0	0	0	0	0	0	0	3,616	3,616
0	0	0	0	0	0	0	816	816
0	0	0	7,771	0	2,168	0	0	9,939
0	0	0	0	0	0	0	0	5,591
2,707,933	199,156	266,381	165,896	8,008	44,262	58,746	12,988	12,466,649
0	0	0	1,472	0	116	0	0	2,740
0	0	10,566	0	0	0	0	0	54,293
0	0	0	0	0	0	0	0	816
2,707,933	199,156	255,815	164,424	8,008	44,146	0	7,768	12,327,653
0	0	0	0	0	0	58,746	5,220	64,546
0	0	0	0	0	0	0	0	16,601
2,707,933	199,156	266,381	165,896	8,008	44,262	58,746	12,988	12,466,649

**Schedule 4**

**Assets and Liabilities**

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers
Balances Beginning of Year	\$ 71,368	155,906	168,171	168,161
Additions:				
Property and Other County Tax (Including TIF)	0	167,666	129,900	154,827
E911 Surcharge	0	0	0	0
State Tax Credits	0	7,934	7,140	7,820
Intergovernmental Replacements, Grants and Revenues	0	93	83	91
Contribution from Lyon County	0	0	0	0
Transfer from Special Appraisers Fund	0	0	45,000	0
Office Fees and Collections	291,409	0	301	0
Elections	13,916	0	0	0
Electronic Transaction Fee	0	0	0	0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	17,280	0	0	0
Interest	39	0	0	0
Total Additions	322,644	175,693	182,424	162,738
Deductions:				
Agency Remittances:				
To County Funds	156,262	0	41,045	45,000
To Other Agency Funds	7,774	0	0	16,440
To Other Governments	151,023	162,183	141,283	79,294
Trusts Paid Out	18,365	0	0	0
Total Deductions	333,424	162,183	182,328	140,734
Balances End of Year	\$ 60,588	169,416	168,267	190,165

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	E911 Surcharge	E911 Operating	Emergency Management
7,116,669	340,470	2,287,192	188,033	254,036	146,813	8,008	37,223
7,604,745	386,426	2,687,569	196,961	0	0	0	0
0	0	0	0	0	67,724	0	0
345,430	17,315	117,361	9,042	0	0	0	0
4,026	203	2,891	60	0	30,453	0	19,624
0	0	0	0	0	0	0	35,500
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	2,972,188	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	1,082	0	0
7,954,201	403,944	2,807,821	206,063	2,972,188	99,259	0	55,124
0	0	0	0	123,101	5,000	0	3,060
0	0	0	0	0	0	0	0
7,046,277	354,164	2,387,080	194,940	2,836,742	75,176	0	45,025
0	0	0	0	0	0	0	0
7,046,277	354,164	2,387,080	194,940	2,959,843	80,176	0	48,085
8,024,593	390,250	2,707,933	199,156	266,381	165,896	8,008	44,262

**Schedule 4 (Continued)****Lyon County****Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds****Year Ended June 30, 2010**

	Advance Tax Collections	Other	Total
<b>Assets and Liabilities</b>			
Balances Beginning of Year	67,295	19,009	11,028,354
Additions:			
Property and Other County Tax (Including TIF)	0	1,941	11,330,035
E911 Surcharge	0	0	67,724
State Tax Credits	0	79	512,121
Intergovernmental Replacements, Grants and Revenues	0	13,109	70,633
Contribution from Lyon County	0	0	35,500
Transfer from Special Appraisers Fund	0	0	45,000
Office Fees and Collections	0	0	291,710
Elections	0	0	13,916
Electronic Transaction Fee	0	8,295	8,295
Auto & Drivers Licenses, Use Tax and Postage	0	0	2,972,188
Assessments	0	22,183	22,183
Trusts	330,931	83,342	431,553
Interest	0	7	1,128
Total Additions	330,931	128,956	15,801,986
Deductions:			
Agency Remittances:			
To County Funds	0	0	373,468
To Other Agency Funds	0	0	24,214
To Other Governments	0	30,786	13,503,973
Trusts Paid Out	339,480	104,191	462,036
Total Deductions	339,480	134,977	14,363,691
Balances End of Year	58,746	12,988	12,466,649

See accompanying independent auditor's report.

**Schedule 5**

**Lyon County**

**Schedule of Revenues by Source and Expenditures by Function –  
All Governmental Funds**

**For the Last Eight Years**

	Modified Accrual Basis							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues:</b>								
Property and Other County Tax	\$ 4,411,208	4,057,468	3,923,669	3,894,317	3,733,047	3,539,313	3,608,073	2,926,754
Local Option Sales Tax	461,496	466,114	442,135	453,163	383,787	389,263	345,675	375,962
Tax Increment Financing	28,097	27,130	17,915	17,213	14,797	14,190	261	0
Interest and Penalty on Property Tax	22,061	19,766	19,218	22,041	19,738	17,152	15,291	17,093
Intergovernmental	5,191,837	5,143,744	4,731,502	4,609,589	4,335,191	4,287,056	4,808,141	3,600,775
Licenses and Permits	68,272	59,212	47,818	49,094	47,705	41,479	38,800	38,196
Charges for Service	773,429	763,311	766,261	699,946	581,167	575,013	586,045	607,605
Use of Money and Property	182,685	213,890	291,628	311,459	245,570	181,556	125,310	175,541
Miscellaneous	60,018	138,376	91,996	208,452	119,583	48,906	63,215	175,689
<b>Total</b>	<b>\$ 11,199,103</b>	<b>10,889,011</b>	<b>10,332,142</b>	<b>10,265,274</b>	<b>9,480,585</b>	<b>9,093,928</b>	<b>9,590,811</b>	<b>7,917,615</b>
<b>Expenditures:</b>								
<b>Operating:</b>								
Public Safety and Legal Services	\$ 2,572,767	2,461,084	2,234,702	2,134,146	1,967,122	1,735,753	1,683,355	1,707,894
Physical Health and Social Services	785,963	758,292	744,482	685,546	625,689	577,077	610,516	627,654
Mental Health	1,007,259	1,017,862	1,069,718	985,661	914,771	929,935	839,397	897,363
County Environment and Education	713,793	745,926	692,411	660,724	487,539	436,917	450,422	505,595
Roads and Transportation	3,424,984	3,900,660	3,174,767	3,452,833	3,393,828	3,085,781	2,645,446	2,935,233
Governmental Services to Residents	419,591	451,162	377,071	335,089	443,417	321,632	289,005	268,630
Administration	896,744	855,233	875,240	803,685	752,959	714,501	692,475	765,681
Non-Program Current	28,097	27,130	17,915	17,213	14,797	16,190	627,685	86,576
Debt Service	279,673	252,685	280,383	286,239	287,438	279,527	275,772	276,372
Capital Projects	139,202	816,779	97,793	451,859	845,786	636,410	432,796	891,803
<b>Total</b>	<b>\$ 10,268,073</b>	<b>11,286,813</b>	<b>9,564,482</b>	<b>9,812,995</b>	<b>9,733,346</b>	<b>8,733,723</b>	<b>8,546,869</b>	<b>8,962,801</b>

See accompanying independent auditor's report.

**Lyon County**

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards***

# **DE NOBLE & COMPANY PC**

Certified Public Accountants

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### **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Officials of Lyon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated June 16, 2011. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lyon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lyon County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lyon County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in Lyon County's internal control described in the accompanying Schedule of Findings as items 10-A, D, F, H, J, K and L to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with



governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 10-B, C, E, G and I to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lyon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lyon County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Lyon County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lyon County and other parties to whom Lyon County may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lyon County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



De Noble & Company PC  
Certified Public Accountants

June 16, 2011

**Lyon County**  
**Schedule of Findings**

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2010**

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

10-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted a lack of segregation of duties over financial transactions, record-keeping, reconciling functions and financial reporting in several offices. This comment also applies, as applicable, to the County Assessor, County Extension, Emergency Management and E911.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

- a) All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to supporting receipt documentation that should be retained, to the cash receipt records and to the actual deposit made by an independent person.
- b) Bank accounts should be reconciled and reviewed promptly at the end of each month by individuals who do not sign checks, handle or record cash.
- c) A person in the office who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments, and reconcile documents to the investment records.
- d) Supplies and fixed assets ordered should be received by someone other than the person who initiated the order. The person responsible for making sure all items ordered are received and the proper amounts are charged should be separate from the purchasing and cash disbursement functions.
- e) Authorization of transactions, handling of source documents, custody of assets and the responsibility for long-term debt recordkeeping should be segregated. Payroll recordkeeping (including compensated absences) should be done by persons who are independent of the payroll disbursement functions.
- f) Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2010**

- g) Billings for services, the recordkeeping of accounts receivable, and the handling of cash receipts should be segregated. The billing rates should be verified by independent individuals.
- h) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment. Dual signatures should be required on all checks. Procedures need to be established to ensure that both of the individuals whose signature is on the check have reviewed the supporting documentation for the check and approve issuing the check.
- i) The payroll should be verified by independent individuals. Only individuals who are independent of the payroll (including payroll disbursements) process should have access to change the payroll rates.
- j) The persons who are responsible for cash disbursements should be segregated from ledger entry in the accounting records.

We realize that with a limited number of office employees, segregation of duties is difficult. However, each official or person in-charge should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official or person in-charge should utilize current personnel in their office or from another office to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will have each office evaluate these recommendations. We will attempt to develop strategies to implement each of the recommendations as economically practicable within each office.

Conclusion – Response accepted. It is important that you attempt to implement these recommendations.

10-B Accounting Procedures Manual – The County does not have updated accounting procedures manuals for all aspects of the County's accounting systems (mainly some of the individual offices).

Recommendation – Updated accounting procedures manuals should be prepared and implemented for all aspects of the County's accounting systems.

Response – We will have each applicable office work on creating a written accounting procedures manual for their accounting system.

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2010**

Conclusion – Response accepted. Please do attempt to have each appropriate office work on this.

- 10-C Prevention Controls Review – Prevention controls need to be reviewed specifically at the County Conservation Office, but it would be beneficial for all offices to review.

Recommendation – Prevention controls (example: smoke detectors should be considered for fire prevention and detection) should be reviewed for adequacy.

Response – We will review our prevention controls and take any necessary steps that are deemed needed at each location.

Conclusion – Response accepted. Please do review prevention controls at each of the County's locations.

- 10-D Capital Assets – Capital assets are not being marked for identification purposes.

Recommendation – On a yearly basis, an independent person should be responsible for verifying the existence of the capital assets under each office's control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions.

Response – We will stress the need for security over capital assets until we can get your recommendation implemented.

Conclusion – Response accepted. Please attempt to begin working on implementing this recommendation.

- 10-E Off-Site Storage of Computer Data – All offices should have as a standard policy or procedure the off-site storage of computer backup data.

Recommendation – Computer backups need to be done for all important computer data on a regular basis and this backed up data should be stored at an off-site location.

Response – We will stress that each office evaluate and implement this recommendation.

Conclusion – Response accepted. Please do have each office implement this recommendation.

- 10-F Job Rotations – Financial personnel's duties are not always rotated for a period of time each fiscal year.

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2010**

Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and each person's duties should be done by another employee when a person is on vacation. Employees should be cross-trained to be able to perform a fellow employee's duties.

Response – We will have each office work on rotating duties and cross-training.

Conclusion – Response accepted. Please do have each office attempt to implement this recommendation.

10-G Usage of County Vehicles – When using County credit cards for fueling, the vehicle's identification and the mileage at the time of fueling are not always noted on the credit card receipt. Vehicle/machinery mileage logs are not always being maintained and being compared to fuel consumption on a regular basis.

Recommendation – Per the County's employee handbook, when using County credit cards for fueling, the vehicle's identification and the mileage at the time of fueling should always be noted on the credit card receipt. Mileage and fuel logs should be maintained on each vehicle/piece of machinery and tested against the fuel charged to each vehicle/piece of machinery to verify reasonableness of mileage per gallon. Each department needs to develop procedures to ensure this recommendation is implemented.

Response – We will have the appropriate departments address this.

Conclusion – Response accepted. Please make sure the appropriate departments develop procedures to implement this recommendation.

10-H Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

There are no written policies for:

- automatic log-off provisions in certain offices when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.
- requiring password changes on computers not connected to the mainframe because the software does not require the user to change log-ins/passwords periodically.
- Requiring the password to use multiple characters on the keyboard.

**Lyon County**  
Schedule of Findings  
Year Ended June 30, 2010

Recommendation – Written policies should be developed addressing the above procedures in order to improve the control over computer based systems.

Response – We will address these computer related issues with the individual offices and our software providers.

Conclusion – Response accepted. Please attempt to implement these recommendations.

10-I Payroll Issues – The County does not have any formal written employee performance evaluation process.

Payroll time sheets are not always being signed/formally approved by the employee's supervisor. Additionally, we noted that there are several employees that do not fill out time sheets.

Several employees were allowed without formal Board approval to carryover vacation time in excess of the amount of hours allowable per the employee handbook.

Recommendation – The County should consider implementing a formal written employee performance evaluation process. The results of the employee evaluations should be reviewed with the Board of Supervisors.

The County should consider the need to require all County personnel to prepare daily time sheets or time cards. All County time cards/sheets should have signature lines for the employee and the employee's direct supervisor that should be required to be completed before payroll is paid in order to attest to the accuracy of hours worked.

Vacation time should only be allowed to be carried over in accordance with the employee handbook unless formal approval is given by the controlling Board. This approval should be documented in the controlling Board's minutes.

Please discuss these issues with the County Attorney and take the appropriate actions recommended by the County Attorney.

Response – The Board of Supervisors will consider the written employee evaluation issue. We will address the issue of time cards/sheets and discuss the need to get Board approval for excess vacation carryover with department heads.

Conclusion – Response accepted.

10-J Inventory Records – Inventory records did not always reconcile to the year end physical count. Inventory records are not being monitored on a regular on-going basis.

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2010**

Recommendation – Inventory procedures and monitoring should be analyzed for ways to increase accuracy, controls and efficiency.

Response – We will have the appropriate offices work on improving inventory procedures and related records.

Conclusion – Response accepted.

10-K Financial Reporting – During the audit, we identified material amounts of assets, liabilities, revenues and expenses/expenditures not recorded properly in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all assets, liabilities, revenues and expenses/expenditures are identified and included in the County's financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will review our procedures to identify areas where we can improve on our financial records.

Conclusion – Response accepted. Please do review your procedures.

10-L Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County's expected ethics.

Recommendation – County management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. County management also needs to communicate the County's expected ethics and hold County employees accountable to those expected ethics.

Response – We will address your recommendations.

Conclusion – Response accepted. Please do address our recommendation.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.



**Lyon County**  
Schedule of Findings  
Year Ended June 30, 2010

**Other Findings Related to Required Statutory Reporting:**

10-1      Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in the debt service function but did not exceed any of the amounts appropriated in any department.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The County will monitor the disbursements and amend the budget when needed in accordance with the Code of Iowa in the future.

Conclusion – Response accepted.

10-2      Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

There appears to be personal usage of cell phones (verbal and texting) for which the County isn't being reimbursed and there were several meal expense reimbursements to employees that did not have the proper support retained.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors needs to enforce the County's written policies and should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation. All disbursements, including credit card charges/employee meal charges, should be supported by an actual receipt/invoice that supports the charge in detail.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted. It is important that these issues are addressed.

10-3      Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see "Other Findings Related to Required Statutory Reporting: 10-2" for a possible related comment.

10-4      Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

**Lyon County**  
Schedule of Findings  
Year Ended June 30, 2010

Name, Title and Business Connection	Transaction Description	Amount
Deep Clean Inc., Jennifer Smit's Husband is a Shareholder, Auditor's Office Clerk	Custodial services	\$ 12,600
Todd Reinke, Owner of Todd's True Value, Conservation Board Member	Supplies	2,636
Eric Borman Construction, Amy Borman's Husband is the Owner, Ambulance Crew President	Concrete work	3,520
Scotty's Paint & Body, Sandy Wissink's Husband is the Owner, Dispatcher	Vehicle repairs and towing	1,261
Dr. Chet De Jong, Husband of Melinda De Jong, School Nurse	Medical examiner	564
C & A Snow Removal, Roberta Flier's Husband is the Owner, Dispatcher	Snow removal	4,110
Cory Heimensen, Husband of Heather Heimensen, Crime Victim Witness Coordinator	Rent (Veterans Affairs)	1,800

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Scotty's Paint & Body and Dr. Chet De Jong do not appear to represent conflicts of interest since the total transactions with each were less than \$1,500 during the fiscal year. The transactions with Deep Clean Inc., Eric Borman Construction and C & A Snow Removal do not appear to represent conflicts of interest since the transactions were entered into through competitive bidding. The transactions with Cory Heimensen do not appear to represent conflicts of interest due to the Veterans Affairs director is employed by Cory Heimensen and conducts Veterans Affairs business at Mr. Heimensen's office.

The transactions with Todd's True Value appears to represent a conflict of interest since total transactions were more than \$1,500 during the fiscal year and were not entered into through competitive bidding.

Recommendation – The County should comply with the Iowa Code regarding business transactions between the County and County officials and employees. The Board of Supervisors should address the personal competition and personal use of County equipment. The County should consult with the County Attorney to determine the disposition of these matters.

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2010**

Response – We will discuss these compliance issues with the County Attorney and implement appropriate procedures.

Conclusion – Response accepted.

10-5      Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

10-6      Board Minutes – No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not, except for one disbursement which was not included in the Board minutes/published listing of claims paid.

Recommendation – The County needs to make sure all claims are approved by the Board in the minutes and properly published in accordance with Chapter 349.18 of the Code of Iowa.

Response – We will make sure to review the claims listing more closely to ensure all disbursements are included in the list of claims to be approved and published.

Conclusion – Response accepted.

10-7      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

10-8      Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

10-9      County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

The County Extension needs to review the "Findings Related to the Financial Statements – Internal Control Deficiencies" for reportable conditions that relate to the Extension or could improve the Extension's internal control.

**Lyon County**  
Schedule of Findings  
Year Ended June 30, 2010

The Extension did not pay an employee for overtime worked in excess of 40 hours per week.

The Extension has adopted a policy where full time employees can get up to \$2,000 annually towards health insurance but does not authorize any medical spending plan reimbursements. The Extension actually allows for employees to get up to the \$2,000 maximum by using a combination of health insurance premiums and medical spending plan reimbursements.

Recommendations – The Fair Labor Standard Act laws need to be complied with as related to overtime pay. Additionally, the Extension should ensure that personnel policies and actual procedures being followed correspond.

Response – We will implement your recommendations.

Conclusion – Response accepted.

- 10-10 County Assessor – Special Appraisers Fund – The County Assessor – Special Appraisers Fund transferred \$45,000 during the fiscal year to the County Assessor - Assessment Expense Fund. The amount transferred appears to have been levied in order to supplement the Assessment Expense Fund.

Recommendation – Transfers made from the County Assessor – Special Appraisers Fund to the County Assessor – Assessment Expense Fund should be limited to amounts that are for reimbursing the Assessment Expense Fund for disbursements made for special appraisal purposes as defined in Chapter 441.50 of the Code of Iowa and an Attorney General's letter of advice dated January 4, 2006. The County Assessor should consult with the County Attorney to determine the disposition of this.

Response – We will discuss this with the County Attorney and evaluate what our options are.

Conclusions – Response accepted.

- 10-11 Internal Revenue Service Reporting Compliance – The County did not report on employees' W-2s the non-cash taxable fringe benefit for any personal use, including commuting, of County provided vehicles that do not qualify as non-personal use vehicles and cell phones in accordance with Internal Revenue Service standards.

Recommendation – The County should be determining the actual value of these fringe benefits for each employee and include this taxable value on the employee's W-2 income.

Response – We will evaluate this compliance issue.

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2010**

Conclusion – Response accepted. The County should comply with the Internal Revenue Service Code.

- 10-12 Dispatchers/Jailers – The County is treating the individuals who perform dispatch services at the jail as jailers for overtime payment purposes due to the combination dispatch/jailer services performed.

Recommendation – The County needs to consult with the County Attorney as to the County's compliance with the Fair Labor Standards Act in relation to overtime pay for individuals who perform a combination of dispatch/jailer services.

Response – We have discussed this issue with the County Attorney and we are in the process of working on how to best implement his recommendation.

Conclusion – Response accepted. Please implement the legal counsel's opinion immediately in regards to the issue.

- 10-13 Compensation Board Minutes – The Compensation Board minutes were not signed by any member of the Board and there was no approval of the prior meeting's minutes.

Recommendation – The Compensation Board minutes should be signed by the appropriate members to attest to the accuracy of the minutes and need to indicate approval of the prior meeting's minutes.

Response – We will attempt to have this Board comply with your recommendation.

Conclusion – Response accepted.

- 10-14 Veterans Affairs Board Minutes – The vote of each member was not identifiable in the Veterans Affairs meeting minutes.

Recommendation – The vote of each member should be identifiable in accordance with Chapter 21 of the Code of Iowa.

Response – The Veteran's Affairs Board has implemented this recommendation in fiscal year 2010/2011.

Conclusion – Response accepted.

- 10-15 Emergency Management and E911 Board Minutes – The Emergency Management and E911 Board minutes do not always report in the minutes that claims issued since the last meeting were approved and that the prior minutes are proper as printed.

**Lyon County**  
Schedule of Findings  
Year Ended June 30, 2010

Recommendation – The Emergency Management and E911 Board minutes should document formal approval of all paid claims and the prior meeting's minutes should be approved in the text of the minutes at the next meeting to verify accuracy of the minutes.

Response – We will attempt to have the Boards comply with your recommendations.

Conclusion – Response accepted.

Lyon County  
Listing of Auditors

This audit was performed by:

David De Noble, CPA, Senior Auditor  
Carmen Austin, CPA, Senior Auditor  
Curt Robison, Assistant Auditor  
Craig Hoekstra, Assistant Auditor

De Noble & Company PC  
Certified Public Accountants